

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED  
JUL 25 2 57 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997

)

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE  
STATEMENT OF TOPICS FOR DISCUSSION  
AT PREHEARING CONFERENCE  
(July 25, 1997)

The Office of the Consumer Advocate (OCA) hereby submits, pursuant to Commission Order No. 1186, a statement of topics for discussion at the pre-hearing conference scheduled for July 30, 1997.

The procedural schedule set forth in Attachment C of Order No. 1186 should be discussed. OCA is deeply concerned that the time-table established by the Order will not provide the Participants the necessary time to adequately review the Postal Service case-in-chief, complete discovery, and prepare for meaningful cross-examination in the time allotted. The time-table established provides for periods between the various milestones of the case that closely resemble the periods in the last rate filing, Docket No. R94-1. The time-table should not be modeled upon Docket No. R94-1 inasmuch as that involved an across-the-board rate increase and, from the outset, did not involve as many significant and difficult issues requiring the extensive analysis present here.

This rate request filing includes several newly developed methodologies presented for the first time. Some are based upon significant new volume-variability studies involving, for instance, mail processing, distribution of mail processing labor

costs, and a vehicle service driver study. Besides refinements in several studies, adjustments in several econometric models are presented. In addition, this case involves significant reclassification issues including two new First-Class rate categories: prepaid reply mail and qualified business reply mail.

Many of these concerns are expressed by Direct Marketing Association, Inc. (DMA) in its Notice of Topics for Discussion filed July 22, 1997. The DMA Notice proposes a procedural schedule providing for a time lapse in days between procedural milestones similar to the time lapses followed in the more comparable, but not as extensive, Docket No. R90-1 proceedings. Without committing to the specific dates of DMA's schedule at this time, OCA believes that a revision similar to the schedule as proposed by DMA is necessary and must be seriously considered by the Presiding Officer.

The time for completion of discovery is clearly not sufficient to gather the information and clarify the Postal Service filing. The special rule established by Order No. 1186 requiring answers to discovery requests to be filed within 14 days of service is helpful. It will enable greater opportunity for follow-up discovery in the time allotted. *OCA is concerned, however, that the voluminous nature of the documentation filed by the Postal Service, including the testimony of 40 witnesses, will require extended analysis and that the time for completion of discovery on the Postal Service's direct case will need to be extended beyond September 3, 1997.*

In addition to the reasons set forth above, the Postal Service's delay in filing material required by the Commission's Rule 54(a)(1) will place an even greater disadvantage on the OCA and others seeking to analyze the Postal Service filing. This

problem has already been noted by the Presiding Officer's Ruling No. R97-1/2, issued July 23, 1997.

The Postal Service is required under the Commission's amended rules established in Docket No. RM97-1, Order No. 1176, to file, at the time of a request for a change in rates, an alternate cost presentation showing what the effect on attribution would be if it did not propose those changes in cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted. The Postal Service's filing contained a "first attempt" (Postal Service Notice at 1) to provide a base year (FY 1996) alternate presentation. The Postal Service Notice of July 10, 1997, stated that the remaining two years, interim (FY 1997) and test year (FY 1998), would be forthcoming within approximately ten to twelve days. On July 23, the Postal Service's Further Notice stated that the remaining material would not be filed until either July 25 or July 28, 1997, or 18 days after the rate filing. To date, none of that material has been filed.

The delay of at least 18 days out of the 55 days allowed between the date of filing and the time for completion of discovery on the Postal Service's case is at least 33 per cent of the entire time allotted. This is a significant delay and a part of the filing which must be carefully considered by the Participants. It is not a *pro forma* adjustment as attested to by the extensive additional work the Postal Service has indicated it must undertake to prepare the initial alternate cost presentations.

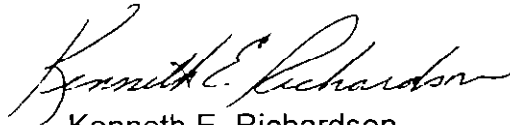
In addition, preliminary review of certain library references already raises questions concerning the consistency of the workpapers with the data bases provided in the library references.

For the above reasons (the magnitude of this case, the late filing of materials required by the Commission's rules, and the apparent discrepancies between fundamental numbers in the workpapers and the underlying data bases in the library references), an extension of the dates for the conclusion of discovery on the Postal Service case and cross-examination must be discussed.

Respectfully submitted,



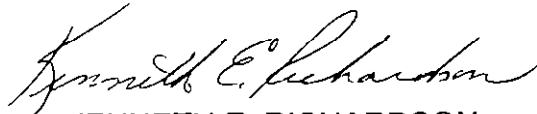
EMMETT RAND COSTICH  
Assistant Director  
Office of the Consumer Advocate



Kenneth E. Richardson  
Attorney

#### CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.



KENNETH E. RICHARDSON  
Attorney

Washington, D.C. 20268-0001  
July 25, 1997